

Alameda Point Financial Basics Webinar



May 18, 2011

Workshop Goals

- Explain how a basic financial pro forma works and why it is important to the Alameda Point process
- Present a working definition of financial feasibility that will be refined over time
- Inform community about the costs of redeveloping Alameda Point using General Plan as an illustrative example

Financial Pro Forma Basics

What Is a Financial Pro Forma?

- Comparison of sources of funds (e.g., revenues and financing) and uses of funds (e.g., design and construction costs), over a period of time
- Assessment of financial risk vs. reward
- Tool for measuring financial feasibility and sensitivity to changes in key assumptions

Pro Forma Reflects Deal Structure

- Previous negotiations assumed “master developer”
 - Preparation of improved land for sale and lease
 - No guaranteed return on expenses
- Future disposition strategy yet to be determined
 - Single master developer
 - Multiple master developers
 - Auction, etc.
- Structure of disposition affects format, assumptions, and target feasibility measures

Why Is a Financial Pro Forma Important to Alameda Point Planning Process?

- Realistic assessment of financial feasibility of development improves likelihood of successfully implementing Alameda Point project
- Informs planning process by evaluating tradeoffs among the type and amount of development (i.e., revenues) and the type and amount of infrastructure requirements and public benefits (i.e., costs)

Why Is a Financial Pro Forma Important to Alameda Point Planning Process?

- If a feasibility gap exists, it determines need for public financing and/or changes to factors affecting costs and revenues
- Tool for negotiating property conveyance and disposition
 - Land value with the Navy
 - Land value, public benefits, and public financing with future developer(s)

What Is a Working Definition of Financial Feasibility?

- Alameda Point will need to attract private sector funding in order to be successfully implemented
- Private sector will require a return on investment commensurate with the risk presented by the project
- Revenues must exceed costs by a sufficient amount and fast enough to achieve a return on investment required by the private sector

What Is a Working Definition of Financial Feasibility?

- Other factors important to the community must be addressed, such as:
 - Impacts to City budget;
 - Transportation impacts;
 - Project amenities that provide citywide benefits; and
 - Navy clean-up and conveyance requirements
- These other priorities require further definition and will affect financial feasibility

Alameda Point Pro Forma Overview

- Sources of Funds
 - Land sale or lease revenues
 - Existing building lease and sale revenues
 - Private financing (i.e., equity, loans)
 - Public financing (e.g., redevelopment tax increment, Mello Roos CFD)

Alameda Point Pro Forma Overview

- Uses of Funds
 - Planning and predevelopment expenses
 - Site preparation, infrastructure, and transportation costs
 - Mitigation of impacts to City budget
 - Affordable housing program
 - Renovation costs of existing buildings
 - Community facility and benefit costs
 - Management and operations costs
 - Return on private sector investment

Other Pro Forma Considerations

- Assessments for Ongoing Costs
 - Impacts to City budget (ARRA Resolution)
 - Maintenance costs
 - Transportation operations
- Development Risk
 - Entitlement
 - Cost
 - Financing
 - Market

Other Pro Forma Considerations

- Return on Investment
 - Relationship to risk
 - Internal rate of return and profit margin, etc.

Pro Forma Example: Project with Feasibility Gap

TARGET RETURN: MINIMUM IRR OF 15%								
		Year						
	TOTAL	1	2	3	4	5	6	7
SOURCES OF FUNDS								
Land Sale Revenues	\$325			\$0	\$0	\$100	\$100	\$125
Public Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL SOURCES	\$325	\$0	\$0	\$0	\$0	\$100	\$100	\$125
USES OF FUNDS								
Predevelopment Expenses	\$10	\$5	\$5	\$0	\$0	\$0	\$0	\$0
Infrastructure Costs	\$200	\$0	\$0	\$100	\$100	\$0	\$0	\$0
Community Benefits	\$60	\$0	\$0	\$30	\$30	\$0	\$0	\$0
TOTAL USES	\$270	\$5	\$5	\$130	\$130	\$0	\$0	\$0
NET BALANCE	\$55	(\$5)	(\$5)	(\$130)	(\$130)	\$100	\$100	\$125
Measures of Feasibility								
Internal Rate of Return		7%						
Profit Margin		20%						

* Revenues exceed costs (profit margin positive), but IRR does not meet target return of 15%

Pro Forma Example: Project with Public Financing

TARGET RETURN: MINIMUM IRR OF 15%								
		Year						
	TOTAL	1	2	3	4	5	6	7
SOURCES OF FUNDS								
Land Sale Revenues	\$325			\$0	\$0	\$100	\$100	\$125
Public Financing	\$75	\$0	\$0	\$0	\$0	\$25	\$25	\$25
TOTAL SOURCES	\$400	\$0	\$0	\$0	\$0	\$125	\$125	\$150
USES OF FUNDS								
Predevelopment Expenses	\$10	\$5	\$5	\$0	\$0	\$0	\$0	\$0
Infrastructure Costs	\$200	\$0	\$0	\$100	\$100	\$0	\$0	\$0
Community Benefits	\$60	\$0	\$0	\$30	\$30	\$0	\$0	\$0
TOTAL USES	\$270	\$5	\$5	\$130	\$130	\$0	\$0	\$0
NET BALANCE	\$130	(\$5)	(\$5)	(\$130)	(\$130)	\$125	\$125	\$150
Measures of Feasibility								
Internal Rate of Return		16%						
Profit Margin		48%						

* Added \$75 of public financing over years 5 thru 7 to meet target return of 15%

Pro Forma Example: Project with Increased Revenues

TARGET RETURN: MINIMUM IRR OF 15%								
		Year						
	TOTAL	1	2	3	4	5	6	7
SOURCES OF FUNDS								
Land Sale Revenues	\$400			\$0	\$0	\$175	\$100	\$125
Public Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL SOURCES	\$400	\$0	\$0	\$0	\$0	\$175	\$100	\$125
USES OF FUNDS								
Predevelopment Expenses	\$10	\$5	\$5	\$0	\$0	\$0	\$0	\$0
Infrastructure Costs	\$200	\$0	\$0	\$100	\$100	\$0	\$0	\$0
Community Benefits	\$60	\$0	\$0	\$30	\$30	\$0	\$0	\$0
TOTAL USES	\$270	\$5	\$5	\$130	\$130	\$0	\$0	\$0
NET BALANCE	\$130	(\$5)	(\$5)	(\$130)	(\$130)	\$175	\$100	\$125
Measures of Feasibility								
Internal Rate of Return		18%						
Profit Margin		48%						

* Increased revenues in year 5 by \$75 to meet target return of 15%

Pro Forma Example: Project with Decreased Costs

TARGET RETURN: MINIMUM IRR OF 15%								
		Year						
	TOTAL	1	2	3	4	5	6	7
SOURCES OF FUNDS								
Land Sale Revenues	\$325			\$0	\$0	\$100	\$100	\$125
Public Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL SOURCES	\$325	\$0	\$0	\$0	\$0	\$100	\$100	\$125
USES OF FUNDS								
Predevelopment Expenses	\$10	\$5	\$5	\$0	\$0	\$0	\$0	\$0
Infrastructure Costs	\$200	\$0	\$0	\$100	\$100	\$0	\$0	\$0
Community Benefits	\$15	\$0	\$0	\$0	\$15	\$0	\$0	\$0
TOTAL USES	\$225	\$5	\$5	\$100	\$115	\$0	\$0	\$0
NET BALANCE	\$100	(\$5)	(\$5)	(\$100)	(\$115)	\$100	\$100	\$125
Measures of Feasibility								
Internal Rate of Return		15%						
Profit Margin		44%						

* Decreased community benefit costs by \$45 over years 3 and 4 to meet target return of 15%

Questions on Financial Pro Forma Basics

Alameda Point Infrastructure Costs

Infrastructure Costs Outline

- Review Existing Infrastructure Conditions
- Discuss Proposed Infrastructure Systems
- Review Existing Site Constraints
- Discuss Anticipated Costs of the Required Infrastructure
- Discuss Optional Public Benefits and Associated Costs

Definition of Infrastructure

- Flood and Sea Level Rise Protection
- Utilities (Storm Drain, Sanitary Sewer, Electrical, and Gas)
- Streets
- Regional Transportation
- Parks and Open Space

Existing Navy Infrastructure

- Majority of utilities constructed over 60 years ago and approaching the end of its service life
- Constructed and maintained by the Navy on an "as-needed" basis
- Not constructed to current standards and regulations
- Many utilities are located under structures or not within street corridors
- Varying degrees of deterioration from age, weathering, subsidence, sediment, etc.
- City of Alameda, EBMUD and AMP conduct on-going improvements and repairs to maintain service to lessees
- PG&E and EBMUD will not accept the maintenance cost responsibilities



Existing Infrastructure

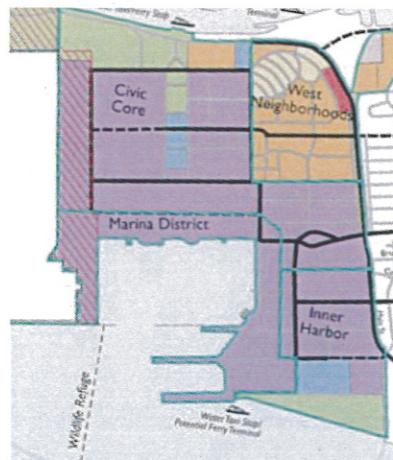
- Typical maintenance issues include:
 - Minor Flooding
 - Water Main Breaks
 - Sanitary Sewer Repairs
 - Street and Sidewalk Repairs
- Examples of Recent Repair Costs Burdened by the ARRA include:
 - Water Main Repairs (\$20 - \$60k)
 - Sewer Pipeline and Manhole Repairs (\$10 - \$15k)
 - Street Pothole Patching (\$10 - \$15k)
- Existing infrastructure is not capable of supporting the redevelopment and reuse of Alameda Point



Land Use Assumptions

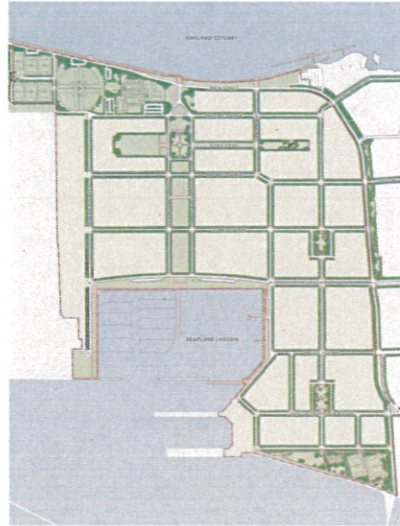
2003 General Plan Amendment

- Big Whites Remain
- Building 5 Remains
- Relocate and Consolidate Collaborative Housing
- Approximate Land Use Summary
 - 2,000 Housing Units
 - 2.3 Million SF of Commercial Uses (Office, R&D, Retail, Etc.)



Backbone Infrastructure Assumptions

- Framework of Roadways and Utility Corridors
- Provides Organized Structure for Overall Reuse and Re-Development
- Maintains Similar Grid Pattern Extending into the Surrounding Neighborhoods
- Reinforces Original NAS Alameda Framework
- Prepares Development Sites Allowing for Flexibility of a Variety of Land Uses



Backbone Infrastructure Costs Include:

- Site Preparation Including Demolition Where Appropriate
- Flood and Sea Level Rise Protection
 - Grading
 - Drainage
- Sanitary Sewer
- Potable and Recycled Water
- Electrical, Gas and Telecom (Dry Utilities)
- On-Site Streets
- Off-Site Street Improvements
- Regional Transportation Improvements
- Parks and Open Space
- Contingency, Construction Management, Professional Services, Fees, Etc.

Other Costs Not Included

- Land Acquisition
- On-Site / In-Tract Infrastructure
- Vertical Building Construction
- On-Going Maintenance and Operation Costs to Achieve Fiscal Neutrality
- Impact Fees (i.e., State School Fees)

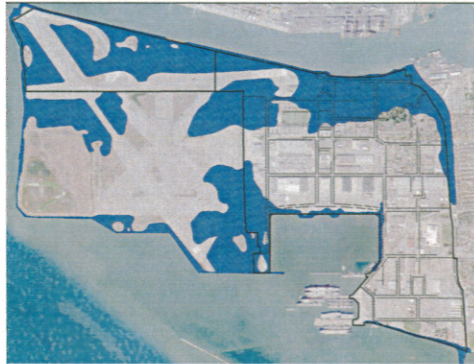
Site Preparation

- Demolish and Dispose of Non-Historic Structures
- Demolish and Recycle Existing Pavement and Concrete
- Remove / Abandon Existing Utilities
- Site Clearing and Preparation
- **Site Preparation Costs = \$120 Million**

Flood Protection and Drainage

Existing Conditions

- Existing Site Drainage
- Existing Flood Protection Features
- 100 Year Tide Areas of Inundation
- Projected Sea Level Rise



Flood Protection and Drainage

Proposed Concept

- Provide Protection from 100 Year Tide Plus 18" of Sea Level Rise and Account for Wave Run-Up
- Allow for Future Adaptive Measures to Protect Against Larger Amounts of Sea Level Rise up to 55"
- Alternatives Explored
 - Elevate Site
 - Improve Perimeter System
 - Hybrid

Flood Protection and Drainage

Proposed Concept – Improved Perimeter System

- Raise Seawalls and Rock Slopes
- Allocate for Future Expansion of Perimeter Features
- Address Geotechnical Constraints (Liquefaction)
- Maintain Majority of Existing Elevations Interior to the Site
- Install New Storm Drain System with Water Quality Treatment
- **Flood Protection, Site Grading and Drainage Costs = \$ 170 Million**



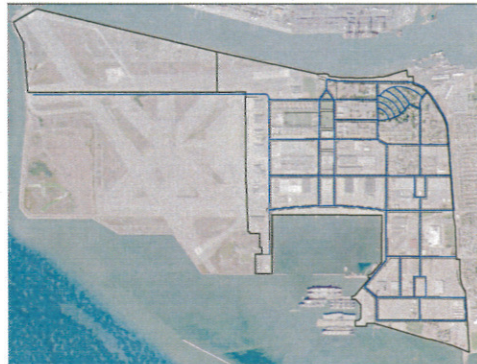
Sanitary Sewer

- System of New Pipelines and Lift Stations
- Convey Wastewater to Existing Pump Station 1
- Utilize Existing Off-Site Infrastructure to Convey Flows to EBMUD Treatment Plant
- Improve Capacity of Siphons at the Estuary Crossing
- **Sanitary Sewer Costs = \$55 Million**



Potable Water

- System of New Distribution Pipelines
- Providing Projected Demands and Fire Flows
- Connects to Existing Water Mains in Main Street
- Potable Water Costs = \$12 Million



Recycled Water

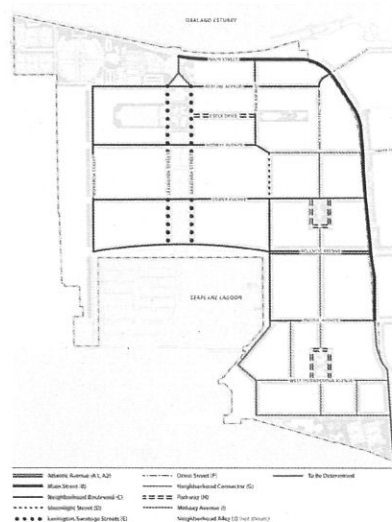
- System of New Distribution Pipelines Required by EBMUD
- Connect to the Future EBMUD Recycled Water System
- Provide Irrigation Water and Other Potential Permitted Uses
- Recycled Water Costs = \$8 Million

- System of New Facilities
- Meeting Current Standards and Regulations
- Upgrade Existing Electrical Sub-Station
- Dry Utility Costs = \$25 Million

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- Meeting Current Standards and Regulations
- Upgrade Existing Electrical Sub-Station
- Dry Utility Costs = \$25 Million

- Construct New On-Site Streets
- Rebuild Existing Streets within Historic Areas
- Construct Bike Circulation Routes, Pedestrian Improvements, and a Truck Route
- Implement Other Necessary Traffic Improvements
 - Traffic Signals
 - Traffic Circles
 - Traffic Calming
- On-Site Street Costs = \$55 Million

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- Construct Bike Circulation Routes, Pedestrian Improvements, and a Truck Route
- Implement Other Necessary Traffic Improvements
 - Traffic Signals
 - Traffic Circles
 - Traffic Calming
- On-Site Street Costs = \$55 Million



Off-Site Street Improvements

- Implement Off-Site Street Improvements to Support Redevelopment
 - Main Street
 - Mitchell Mosley Avenue Extension
 - Stargell Avenue Completion
 - Mariner Square Drive / Marina Village Parkway and Park and Ride
 - Cross Alameda Trail Improvements
 - RAMP Bike Lane and Median Improvements
- **Off-Site Street Costs = \$65 Million**



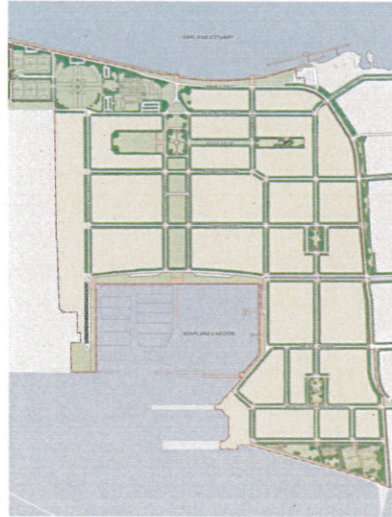
Regional Transportation Improvements

Regional Transportation Improvements Based on Previous Studies, GPA and Community Workshop Include:

- Shuttle System
- Transit Center
- Bus Rapid Transit
- Ferry Terminal
- Transportation Demand Management (Establish Monitoring Program)
- Access Improvements in Oakland
- **Regional Transportation Improvement Costs = \$50 - 65 Million**

Parks and Open Space

- Provide Neighborhood Parks and Open Space Areas
- Provide Initial Improvements to Regional Facilities Including
 - Sports Complex
 - Sea Plane Lagoon Frontage
- **Parks and Open Space Costs = \$80 Million**



Backbone Infrastructure Costs (Without Public Benefits and Other Costs)

• Site Preparation	\$ 120 M
• Flood / Sea Level Rise Protection & Drainage	\$ 170 M
• Utilities (Sewer, Waters and Dry Utilities)	\$ 100 M
• On-Site Streets	\$ 55 M
• Off-Site Street Improvements	\$ 65 M
• Regional Transportation Improvements	\$ 60 M
• Parks and Open Space	\$ 80 M
	<hr/>
TOTAL	\$ 650 M

Public Benefits

- Enhanced Sports Complex (\$15 - \$30 M)
- Enhanced Sea Plane Lagoon (\$5 - \$10 M)
- Additional Passive Open Space (To Be Determined)
- Marina (\$5 - \$10 M)
- Library (\$9 - \$15 M)
- Subsidies for Historic Preservation (Undefined)
- Subsidies for Affordable Housing (To Be Determined)

Questions on Alameda Point Infrastructure Costs

Next Steps

Next Steps

- Upcoming Workshops
 - **Transportation Workshop:** May 26th 6:30 pm to 8:30 pm – Mastick Senior Center
 - **Sustainability Workshop:** June 14th 6:30 pm to 8:30 pm – O'Club
 - **Financial Workshop:** TBD

Next Steps

- Preparation and Evaluation of Alternatives
- Monthly Updates to ARRA
- Review by Community and Boards and Commissions
- Other Ongoing Community Involvement
- LBNL Second Campus Process
 - July/August 2011 community meeting
 - Other shows of community support
 - November decision on preferred site

Questions